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SUBJECT: Eizenstat promotes bilateral FTA, Maghreb regional integration

¶1. Summary: During an October 1 conference in Casablanca on the U.S.-Morocco Free Trade Agreement (FTA), former senior USG official Stuart Eizenstat discussed opportunities for increasing bilateral trade between Morocco and the U.S., and for bolstering U.S. FDI in Morocco. He also proposed reinvigorating his late-nineties initiative to promote Maghreb regional integration and deepen the relationship between the U.S. and the Maghreb, noting that this initiative had renewed importance given the rise of extremism in the region. Eizenstat also presented his ideas at a dinner with six Moroccan ministers (interior, agriculture, energy, industry, trade, finance), as well as Moroccan notables ranging from Royal Adviser Andre Azoulay to intelligence chief Yassine Mansouri. End summary.

¶2. On October 1, A/DCM Ranz attended a conference in Casablanca on the U.S.-Morocco FTA, co-hosted by the Office Cherifien des Phosphates (OCP, the government-owned phosphate monopoly) and the Confederation Generale des Entreprises du Maroc (CGEM, the most important private sector organization in Morocco). Moroccan conference attendees included recently-elected CGEM head Mohamed Horani, OCP Director Mostafa Terrab, and former Finance Minister and current Rabat mayor Fathallah Oualalou.

¶3. In his keynote address, Eizenstat was blunt that the FTA could not function independently of the broader business environment, citing Morocco's low ranking on the World Bank's Doing Business index, and Transparency International's corruption index. He also underscored the importance of improving Morocco's poor education system. He suggested (and Moroccan business leaders in attendance agreed) that Morocco should reconsider its currency mechanism, which resulted in a too-strong dirham and thus reduced the competitiveness of Moroccan exports. On the positive side, he noted that Morocco was one of only two countries (Jordan being the other) enjoying essentially free-trade status with both the U.S. and Europe, making it a perfect export platform for investors interested in trade with both markets.

¶4. Eizenstat acknowledged that full regional integration in the Maghreb was impossible absent a solution on Western Sahara, but argued that the business communities did not need to wait for ?nirvana.? He proposed regional cumulation of origin (for which no legislation was needed, he said) and Economic Integration Zones (similar to the Israel-Jordan and Israeli-Egypt Qualifying Industrial Zones, which would require legislation in both countries) as potential first steps. Several Moroccan business leaders in attendance responded that they had tried to establish business partnerships with eager and

willing Algerian counterparts, but that the Algerian Government had intervened and prevented culmination of their deals.

15. Eizenstat argued that there was an even greater sense of urgency now for regional integration than when he first launched his initiative in the late 1990s. The population bulge throughout North Africa, and the high rate of urban unemployment, were a recipe for an explosion in crime and extremism. He returned several times to this core theme: regional integration was the key to avoiding the growth of extremism. He listed several sectors that were ripe for regional cooperation, including: sustainable water supply, unified transportation networks, regional energy policy, agribusiness, and financial services.

16. Researchers from the Petersen Institute for International Economics presented the findings of their recent, OCP-funded study, "Capitalizing on the Morocco-US Free Trade Agreement: A Road Map for Success," which focuses on trade and investment opportunities in agriculture, textiles, services and aviation, and uses Chile and Jordan as models for successful FTA implementation. CGEM also presented some of its recent findings on obstacles to full utilization of the FTA, which were published earlier this year in a report prepared by the French firm Roland Berger.

17. In his conclusion, Eizenstat reiterated that countries that had done well with FTA implementation

had paired it with improvements in their business climates through serious reform efforts and institution building. He pushed for the USG to be more proactive in promoting regional integration, and specifically to press publicly for opening borders and regularizing trade between Morocco and Algeria. The regional players needed the "catalyst" of USG intervention, he averred.

18. For its part, the GOM needed an office and individual responsible for FTA implementation, Eizenstat said, noting that this model had been the key to success elsewhere. This office should invite a team of Petersen Institute and CGEM researchers involved in studying FTA implementation to present their findings in greater detail, "drill down" into their recommendations, and come up with an implementation plan.

19. Eizenstat thought the Moroccan private sector needed to do more to promote itself by teaming up with American business organizations like the U.S. Chambers of Commerce and National Association of Manufacturers to sensitize American companies to the benefits of the FTA. Eizenstat also pushed the private sector to "establish a presence" in the U.S., by opening up trade missions in selected key American cities. Finally, he suggested that the private sector establish a single location in Casablanca where Moroccan enterprises could find everything they needed to know about doing business with the U.S.

Kaplan